

BEFORE THE
TENNESSEE STATE BOARD OF EQUALIZATION

<i>In Re:</i>	Jerry & Quita Knowlton)	
	District D1, Block 4M, Parcel B10)	
	Residential Property)	Shelby County
	Tax year 2005)	

INITIAL DECISION AND ORDER

Statement of the Case

The Shelby County Board of Equalization ("county board") has valued the subject property for tax purposes as follows:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$26,800	\$291,000	\$317,800	\$79,450

On February 17, 2006, the property owners filed an appeal with the State Board of Equalization ("State Board").

The undersigned administrative judge conducted a hearing of this matter on April 6, 2006 in Memphis. In attendance at the hearing were Jerry Knowlton, co-owner of the subject property, and Shelby County Property Assessor's representative Ron Nesbit.

Findings of Fact and Conclusions of Law

The two-acre parcel in question lies in a rural area of Millington. Situated on this lot is a 4,182-square-foot house that was built in 2000 at a cost (including the land) of about \$250,000.¹ There have been no significant additions or modifications to the home since then.

In a "desktop" appraisal report prepared for mortgage loan purposes, certified residential real estate appraiser Tim W. Walton estimated the market value of the subject property as of July 24, 2002 to be \$300,000. The appraiser, who was not called to testify at the hearing, based this opinion primarily on his application of the sales comparison approach.

The appraised value of the subject property in 2004 was \$304,000.² In the following year of reappraisal, the Assessor raised that amount to \$344,900. Upon review of the property owners' complaint, the county board reduced the value to \$317,800. Not convinced that they

¹According to Mr. Knowlton's testimony, he did some of the Sheetrock and painting work himself.

²Presumably, the 2004 value dated back to the last (2001) reappraisal in Shelby County.

could even get that much for the property, the taxpayers sought further relief from the State Board.

Mr. Knowlton knew of no recent sales of similar properties in this part of the county. He lamented, however, that other homeowners in his relatively new subdivision had not experienced such a substantial increase in their assessments.³

Due to the size and location of the subject property, the Assessor's representative had to expand his search for suitable comparables to other areas. Mr. Nesbit maintained that those sales – ranging widely from \$63.78 to \$119.05 per square foot of living area⁴ – supported the present valuation.

Tenn. Code Ann. section 67-5-601(a) provides (in relevant part) that “[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values....”

Since the taxpayers seek to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

Respectfully, after considering all the evidence of record, the administrative judge finds insufficient grounds for reduction of the value set by the county board.

Taxpayers who are notified of an increase in the valuation of their property as a result of a county-wide reappraisal often focus on: (a) the amount or percentage of the increase; and/or (b) how that amount or percentage compares with other properties in the vicinity or county as a whole. While recognizing this common tendency, the State Board has historically confined its appellate review of a disputed assessment to the question of whether it accurately reflects the *market value* of the property under appeal. Decisions of the State Board have repeatedly held that the amount or percentage of increase in an appraisal of property for tax purposes is irrelevant to a determination of such property's market value. For example, in the appeal of E. B. Kissell, Jr. (Shelby County, Tax Years 1991 & 1992, Final Decision and Order, June 29, 1993), the Assessment Appeals Commission declared that:

The rate of increase in the assessment of the subject property since the last reappraisal or even last year may be alarming but is not evidence that the value is wrong. It is conceivable that values may change dramatically for some properties, even over...a year.

Id. at p. 2.

³It should be noted that the value ultimately determined by the county board was less than 5% higher than the previous appraisal (\$304,000).

⁴The Assessor's highest-priced comparable sale (1245 Sylvan Road) involved a considerably smaller house on a 16+-acre tract.

Further, the State Board has generally rejected complaints to the extent that they are predicated on the *appraised* values of purportedly comparable properties. As the Assessment Appeals Commission has observed:

The assessor's recorded values for other properties may suffer from errors just as Ms. Swope has alleged for her assessment, and therefore the recorded values cannot be assumed to prove market value.

Stella L. Swope (Davidson County, Tax Years 1993 & 1994, Final Decision and Order, December 7, 1995), p. 2.

The appellants' actual construction costs several years before the January 1, 2005 reappraisal date also have little significance here. Those costs, if added, may have been atypically low because Mr. Knowlton performed some of the work himself.

Finally, even assuming the accuracy of Mr. Walton's independent appraisal in July of 2002, it would hardly be unusual for residential property to have appreciated by a fairly modest 6% over a 30-month period thereafter.

Order

It is, therefore, ORDERED that the following values be adopted for tax year 2005:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$26,800	\$291,000	\$317,800	\$79,450

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **"must be filed within thirty (30) days from the date the initial decision is sent."** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **"identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order"**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is

requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 5th day of May, 2006.



PETE LOESCH
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

cc: Jerry & Quita Knowlton
Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office
Rita Clark, Assessor of Property

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